Chapter 15
Perceptions of Trust between Online Auction Consumers

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ABSTRACT

Trust between partners is a precondition for business transactions. The perceptions of trust were studied among the users of a popular Finnish online auction site, ‘Huuto.net’. Results are based on interview and survey data collected from 358 users. According to the interviews, a reputation system that is based on user feedback is essential for the evaluation of other users and their reliability, but the more experienced users had also adopted more advanced strategies for looking for additional reliability cues. The results of the survey indicate that experienced users with a longer transaction history often tend to establish regular contacts, and, partly for this reason, perceive online transacting as reliable. The experienced users were also more positive about the system and its administration than less experienced users. As a practical result, in this paper, the authors examine which kinds of design elements of the service support the experience of trust.

INTRODUCTION

Trust is the basis of interpersonal relationships, and as a social phenomenon, it emerges from and maintains itself within the interactions of people (Weber & Carter, 2003). Trust is known to emerge especially in personal face-to-face interactions, and therefore the online context has been considered to be challenging for the evolution of trust between people (Friedman et al., 2000; Toma, 2010). In computer-mediated communication the nature and amount of information available from others are altered (Hancock & Dunham, 2001).
Trust plays an important role in business transactions between people as well. There are two types of e-commerce sites, business-to-consumer (B2C) and consumer-to-consumer (C2C), in which the trust experienced between consumers plays a different role. In C2C business, which includes online auction and web forum transactions, there is a bigger risk of cheating because the consumers are able to enter and exit the market, and stay anonymous on the service (Yamamoto et al., 2004). Especially for C2C e-commerce and online trading sites, in order to be successful, it is essential both the system and the people using it to be experienced as being trustworthy, as a climate of trust eases and facilitates cooperation between people and adoption of the service (Shneiderman, 2000). The more trustworthy people perceive the system as being, the more willingly they will transact. Therefore, technology has an important role in the formation of trust, as it can either assist or hinder the process (Friedman et al., 2000). There are different systems for facilitating trust on e-commerce sites that are developed in order to compensate for the lack of face-to-face presence in an online context, and in particular, systems that are based on users’ feedback and ratings from others have been widely used for communicating reputations, and thus facilitating trust between the users of the site.

As trust is an important prerequisite for successful transactions, it is essential to understand how people interpret each others’ trustworthiness, and how the technology shapes these impressions. In this study, data were collected in two stages from a total of 358 respondents about their experiences as buyers and sellers on a popular Finnish online auction site, Huuto.net. At first, in order to understand how trust is experienced and formed between the users of the online auction site, we conducted a qualitative interview study of 24 active users of the online auction site. In order to study the factors that affect the experience of trust, a follow-up online survey study with 334 respondents was conducted on the online auction site. In the survey we aim to find out if the experience of use in terms of the number of completed transactions and years as a registered member affects trust, transaction practices, and satisfaction with the features of the online auction site. As a practical result, we conclude the findings by presenting guidelines on how the climate of trust can be supported by the successful design and policy of online trading sites.

RELATED WORK

Trust is about expectations of the future (Shneiderman, 2000). The term ‘trust’ implies a belief in other people’s good intentions; that a person will behave reasonably and do what he or she says (Preece, 2004). However, there is an element of risk in the definition of trust: one can never be sure about the actions of another. As Luhmann (1979) says, if one could, there would not be a need for trust. Because online environments are used by people from different backgrounds, and often anonymously, social interactions can sometimes be risky and unpredictable (Jensen et al., 2002). In online interaction it is more difficult to assess the potential for harm and goodwill of other people, and cues that can be drawn from the environment are essential for the establishment of trust in other people (Friedman et al., 2000).

In previous studies of computer-mediated communication, it has been noted that the evolution of trust takes more time in an online context, as the facelessness and anonymity make it difficult to identify others and create enduring relationships with them (e.g., Hancock & Dunham, 2001). In face-to-face interaction people are able to draw inferences from non-verbal elements and cues which are absent online, and therefore they can evaluate and respond to each other’s emotions and thoughts more accurately (Feng et al., 2003). Jones and Leonard (2006) studied the formation
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